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General Government Division

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May 19, 1993

The Honorable Patrick J. Leahy
Chairman, Committee on Agriculture,
Nutrition, and Forestry

The Honorable Kent Conrad
The Honorable Thomas A. Daschle
The Honorable Byron L. Dorgan
The Honorable Tom Harkin
United States Senate



149237

The Honorable Tim Johnson
The Honorable Timothy J. Penny
The Honorable Robert E. Wise
House of Representatives

This letter responds to your joint request for information on the extent of small business participation in the Market Promotion Program (MPP). Currently, the U.S. Department of Agriculture's Foreign Agricultural Service (FAS), which administers the program, does not maintain information on the size of firms that are funded under the program. We recently testified on the participation level of small firms and other issues relating to the administration of MPP.¹

SCOPE AND METHODOLOGY

As we discussed with members of your staffs, there are no comprehensive data available on the size of firms receiving MPP funds. Thus, the extent to which small and mid-size firms participate in MPP is not known. In our ongoing review of MPP, we obtained information from FAS and standard business directories on the characteristics of the 50 firms receiving the largest amount of MPP funds to promote brand-name products during fiscal year 1992. To identify which of these were small firms we applied the Small Business Administration's (SBA) size standards to

¹U.S. Department of Agriculture: Improvements Needed in Market Promotion Program (GAO/T-GGD-93-17, Mar. 25, 1993).

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information obtained from the business directories.

SBA has established standards to define companies that meet its criteria for federal assistance. SBA's size standards are defined by industry based on Standard Industrial Classification (SIC) codes. The size standards vary by SIC code and are specified by SBA as the maximum number of employees or, for some industries, the annual receipts allowed for a business to be considered "small." For example, SBA's size standard for a cereal breakfast food manufacturer is 1,000 employees, while the size standard for a wholesale producer of fresh fruits and vegetables is 100 employees. Therefore, the cereal breakfast food manufacturer could not exceed 1,000 employees, and the wholesale producer of fresh fruits and vegetables could not exceed 100 employees, to meet SBA's size standard for a small business. In contrast, SBA's size standard for chicken egg producers is \$7 million in annual receipts. As a result, a chicken egg producer with \$7 million or less in annual receipts would meet SBA's size standard for a small business, regardless of the number of its employees.

SMALL BUSINESS PARTICIPATION IDENTIFIED

We found that 11 of the top 50 firms appear to meet SBA's size standards for small businesses. The 11 firms received a total of \$8.5 million in MPP funds in fiscal year 1992, or 17.6 percent of MPP funding for the top 50 firms (11.2 percent of total MPP brand-name funding).² Details of this analysis are in the enclosure.

²Our analysis only considered the number of employees or the amount of annual sales of the firm receiving MPP funds and, if applicable, the employees or sales of the parent or subsidiary companies. SBA also includes the employees or sales of any domestic or foreign affiliations to determine if the firm meets its standards for small businesses. Factors that SBA uses to determine affiliations include stock ownership; voting trusts; contractual relationships; joint venture arrangements; franchise and license agreements; and common directors, officers, or key employees. In addition, SBA disqualifies a firm from participation in its small business program if it is considered to be "dominant in its field of operation."

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Although these top 50 firms received \$48.5 million (64 percent) of the \$76.4 million allocated to brand-name promotions, they are likely not representative of the other 550 firms that received MPP funds during fiscal year 1992. The overall MPP participation rate of small businesses is probably higher than observed in the top 50 firms because smaller firms are not likely to have marketing programs large enough to receive significant MPP funds. For example, the four state regional trade groups claim that 66 to 79 percent of the firms that they fund are small businesses.³ The other not-for-profit organizations that we contacted did not maintain information on the participation rates of small businesses in the program.

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Please contact me on (202) 512-4812 if you or your staff have any questions concerning this letter. The information in this letter was developed by Kane Wong, Assistant Director; Phillip Thomas, Adviser; Harry Medina, Evaluator-in-Charge; and Dexter Porter, Evaluator.

*Laurie E. Eberhard for
Allan I. Mendelowitz*

Allan I. Mendelowitz, Director
International Trade, Finance,
and Competitiveness Issues

Enclosure

³As required by MPP's enabling legislation, FAS operates the brand-name program through not-for-profit organizations. The not-for-profit organizations determine which firms receive funds and how much they receive using criteria contained in MPP regulations. Most of the not-for-profit organizations participating in MPP are commodity-specific trade organizations. Unlike commodity-specific trade organizations, the export activities of state regional trade groups cover a broad range of products and product categories from specific regions of the United States.

ANALYSIS OF THE TOP 50 FIRMS FUNDED BY THE
MARKET PROMOTION PROGRAM DURING FISCAL YEAR 1992

Firm name	MPP funding	Annual sales	Number of employees	SBA standard (employees/receipts)	Small firm
Sunkist Growers	\$7,799,950	\$1,000,000,000	1,000	100	
E.J. Gallo Winery	5,190,000	1,000,000,000	2,500	500	
Blue Diamond Growers	4,462,763	50,000,000	400	500	Yes
Sunsweet	3,300,000	190,000,000	450	\$3,500,000	
Sun Maid	2,628,350	171,000,000	600	500	
Pillsbury	2,028,000	2,400,000,000	8,000	500	
Weich's	1,284,400	419,000,000	1,297	500	
Dole Dried Fruit and Nut	1,270,250	300,000,000	500	500	
Brown-Forman	1,165,000	1,300,000,000	5,400	750	
Borges	1,115,000	99,600,000	175	100	
Dole Fresh Fruit	991,958	2,170,000,000	6,000	100	
J.E. Seagram & Sons	906,768	3,300,000,000	10,000	750	
Jim Beam Brands	837,000	100,000,000	2,000	750	
Munsingwear	826,708	35,600,000	340	500	Yes
Vintners International	810,850	95,000,000	648	500	
Ocean Spray	802,431	915,000,000	1,900	500	
Bobson	732,725	122,137,000	532	500	
Hueblein	731,505	40,000,000	400	100	
Wrangler (Japan)	607,308	142,244,000	280	500	Yes
Duyvis (Sara Lee)	600,000	Not available	624	500	
YG Urban	597,500	1,145,928,000	728	100	
John West	507,000	212,393,306	120	100	
Hansa Pacific	479,000	30,000,000	13	100	Yes
Schiesser	418,000	353,021,494	3,837	500	
National Raisin Co.	412,200	8,000,000	150	\$500,000	
Campbell Soup	411,000	6,200,000,000	49,000	1,000	
Mariani	407,000	50,000,000	250	\$3,500,000	
Brax	405,000	1,652,319	1,000	500	
Schenley International	390,000	240,000,000	720	750	g/
Sebastiani	350,000	46,000,000	200	500	Yes
Pet Inc	344,000	1,000,000,000	9,264	1,000	
Cal Prune	335,000	5,400,000	50	\$3,500,000	
R. Mondavi Winery	320,000	80,000,000	350	500	Yes
Fruit of the Loom (U.K.)	316,000	16,500,000	20	100	b/
Toyobo	307,136	4,068,749,536	14,700	500	
Valley View	306,000	14,000,000	160	\$3,500,000	
New Man	300,000	127,000,000	420	500	c/
Rife Italia SPA	300,000	57,157,402	40	100	Yes
Austin Nichols & Co.	300,000	167,000,000	170	750	d/
Strenesse	300,000	57,000,000	310	500	Yes
Tilda Rice	300,000	37,445,730	80	100	Yes
Bahlsen	300,000	140,554,696	415	750	e/
Agripac	296,500	133,576,638	580	500	
CPC (Best Foods)	292,000	5,700,000,000	33,000	750	
Tri Valley Growers	290,375	824,000,000	1,000	500	
Interfrost	285,000	8,000,000	9	100	Yes
Glen Ellen	283,000	90,000,000	200	500	Yes
Del Monte	279,000	1,000,000,000	4,600	500	
KP Food	275,000	56,342,523	120	100	
Sun-Pat (Nestle)	275,000	35,348,000	500	500	f/
Total	\$48,471,677				

Legend

MPP = Market Promotion Program
SBA = Small Business Administration
U.K. = United Kingdom

*Schenley Industries is a subsidiary of Guinness America, Inc., which has 840 employees and sales of \$347 million.

^b Fruit of the Loom Limited (United Kingdom) is a subsidiary of Farley, Inc., which has 65,000 employees and \$2 billion in sales.

^c New Man is a subsidiary of Confection de L'Indre Industrie, which has 150 employees which, combined with New Man, has a collective total of 570 employees.

^d Austin Nichols is a subsidiary of Pernod Ricard, which has 10,000 employees and \$16.7 billion in sales.

^e Bahlsen is a subsidiary of Bahlsen International Holding AG, which has 8,400 employees.

^f Sun-Pat (Rowntree) Ltd. was acquired by Nestle Holdings, Inc., which has 41,500 employees and sales of \$7.5 billion.

Sources: Foreign Agricultural Service and standard business directories such as those published by Dun & Bradstreet.

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